

HB

556

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 556(TRA)
(H) Publish Date: 4/28/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AIDEA Bonds For Lynn Canal Port RDU AIDEA (125)
Component AIDEA
Sponsor House State Affairs
Requester House Transportation Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill provides bonding authorization to finance the acquisition, development, improvement, and construction of port and related facilities for use in conjunction with mining activities and located at Lynn Canal in Southeast Alaska. Prior to issuing bonds, AIDEA will be required to conduct a feasibility, market and risk analysis of the project as outlined in AS 44.88.095(c). The bill allows other sources of financing in lieu of bond proceeds. The principal amount of the bonds and other financing provided by AIDEA may not exceed \$20 million.

Bonds sold to finance the project will have no impact on the General Fund.

Prepared by: Sara Fisher-Goad, Financial Analyst Phone: 907-269-4623
Division: Alaska Industrial Development & Export Authority Date/Time: 4/26/04 4:15 PM
Approved by: Edgard Blatchford, Commissioner Date: 4/26/2004
Agency: Department of Community & Economic Development

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KENSINGTON GOLD PROJECT

Project Summary and Overview of Partnership Opportunities

April 2004





KENSINGTON

GOLD PROJECT

Project Overview

Summary

- Technically feasible, environmentally friendly, and economically viable
- Located 45 miles North of Juneau
- One million ounces of gold reserves; total potential of five million ounces
- Annual production of 100,000 ounces at cash costs under \$200 per ounce
- Capital costs expected to be \$90 million
- Owned by Coeur since 1987; over \$150 million invested in project to date
- Over 900 studies conducted; Over 50 permit applications
- Permitting expected to be completed in June; Construction to begin in July
- Current gold price, Coeur's renewed financial strength, and re-engineered project have created opportunity to rapidly develop project

Significant Employment Impact in SE Alaska

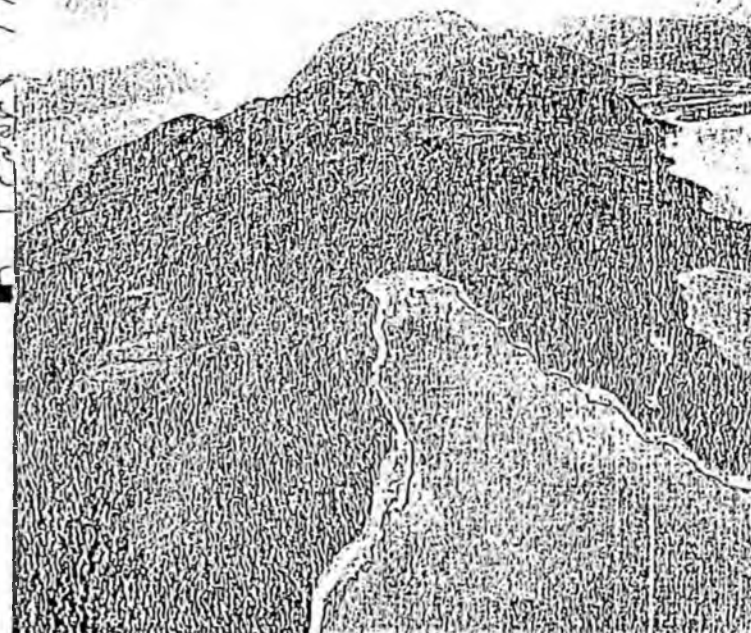
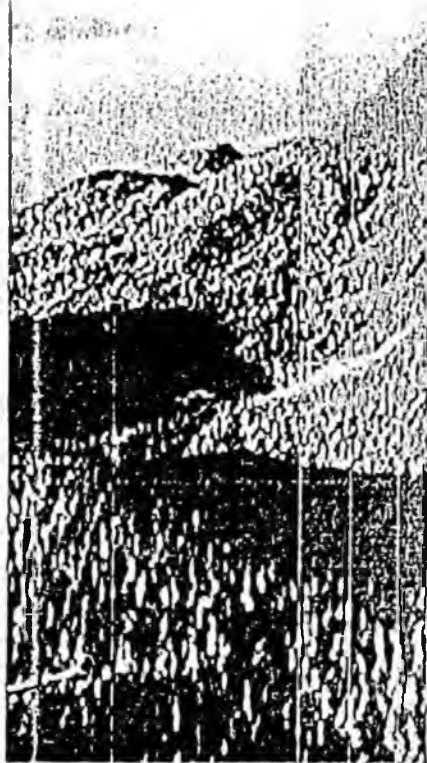
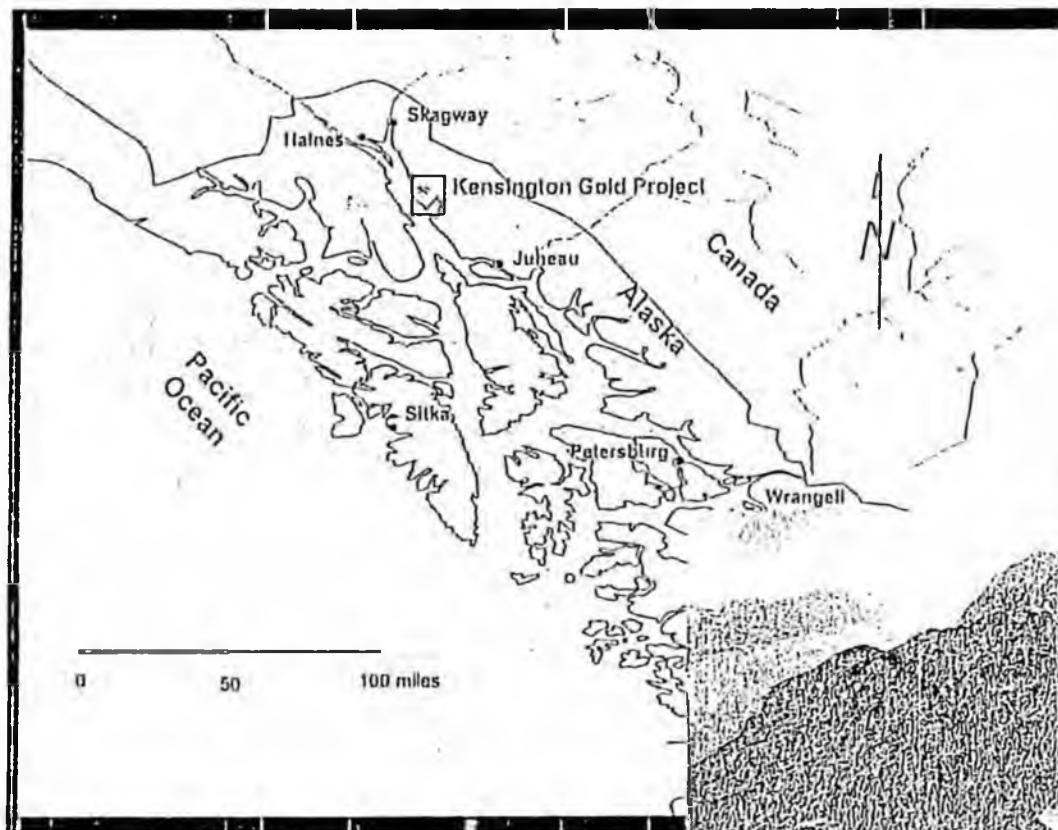
- 250-300 well-paying construction jobs over 18 month construction window
- 110-225 well-paying operating jobs over 10-20 year expected mine life
- Nearly 500 jobs expected to be created beyond direct mine employment (transportation, supplies, services)





KENSINGTON GOLD PROJECT

Location

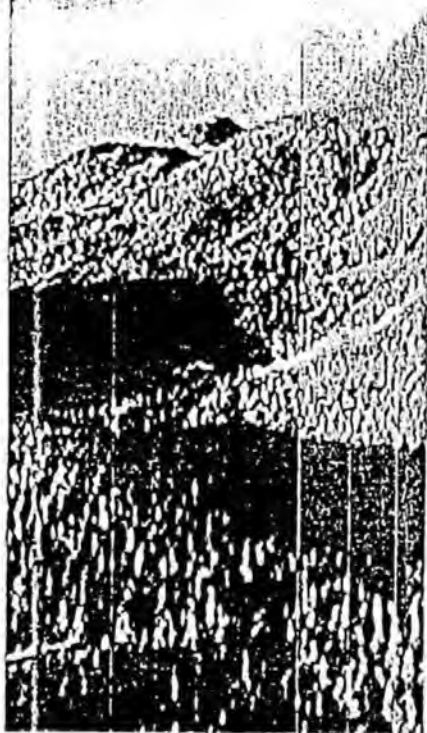
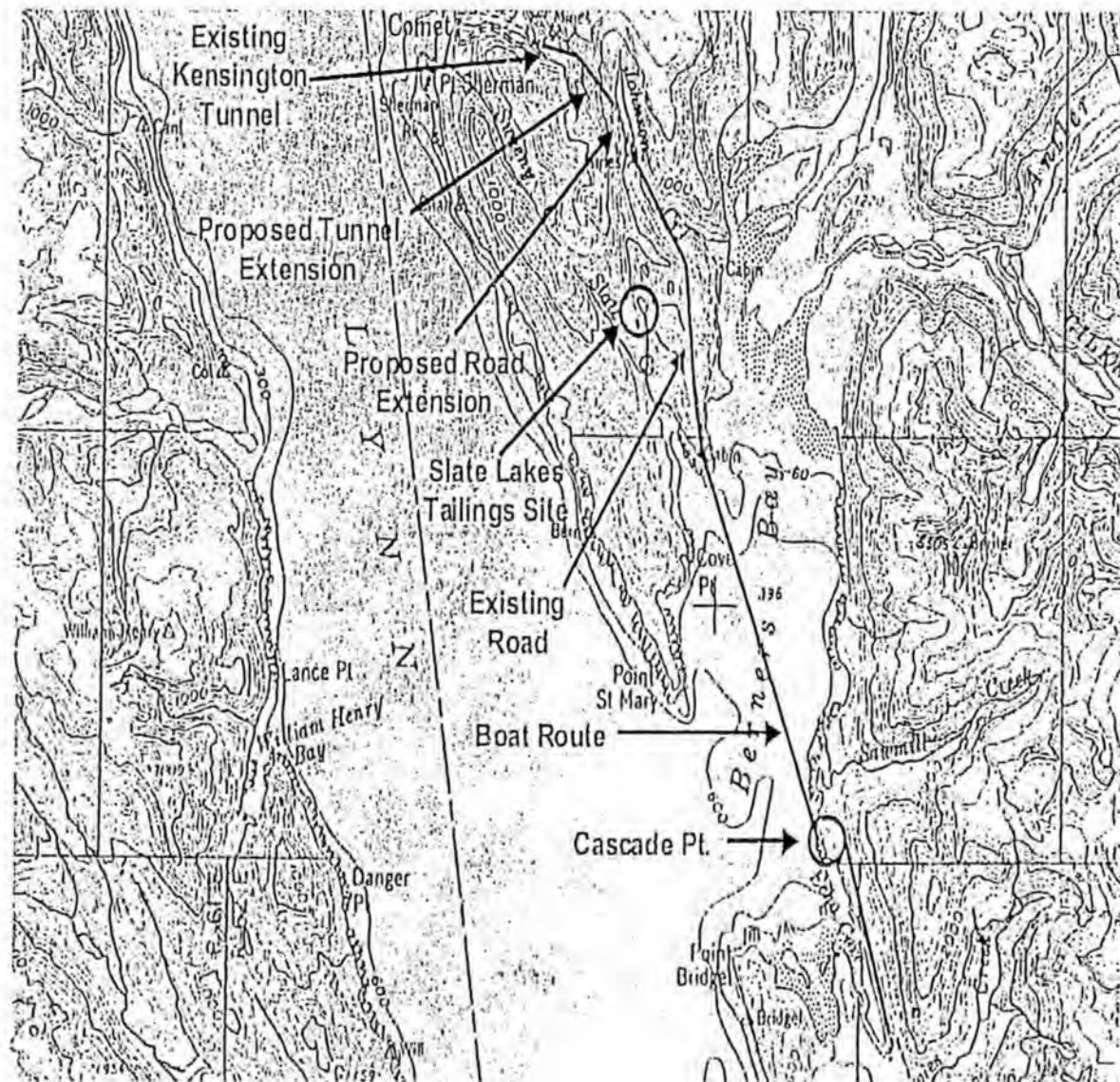




COEUR
ALASKA

KENSINGTON GOLD PROJECT

Layout of Mine and Facilities





KENSINGTON GOLD PROJECT

Summary of Potential Partnership Opportunities

- Training of Workforce
- Bus Transportation for Workers
- ✓• Cascade Point Dock Facilities
- Passenger Ferry Service Across Berners Bay
- ✓• Slate Creek Cove Dock Facilities
- ✓• 5.5 mile Slate Creek Road
- ✓• On-Site Power Plant
- ✓• 8,000ft Tunnel Connecting Kensington and Jualin
- ✓• Tailings Management Facility

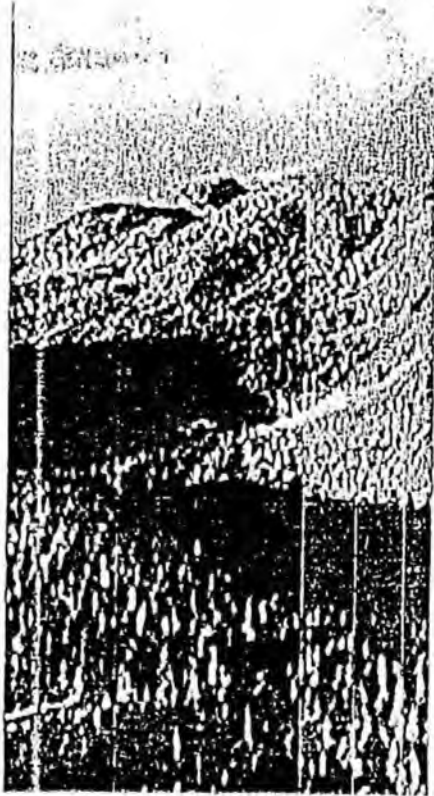




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Training of Workforce





KENSINGTON GOLD PROJECT

Training of Workforce

Description

- Construction phase will employ a minimum of 300 people both in Coeur employees and contract employees
- Development on the Jualin tunnel and pre-mining development on the Kensington ore faces will coincide with construction. Required manpower will be approximately 25 people.
- Operational manpower will range from 125 to 230 people depending on production levels.

Request

- Funding assistance with the following training requirements:
 - New Miner Training required by MSHA is expected to cost \$500,000
 - Alaska Cultural training for employees is expected to cost \$200,000
 - Skill-based training is estimated to cost \$750,000

Contact

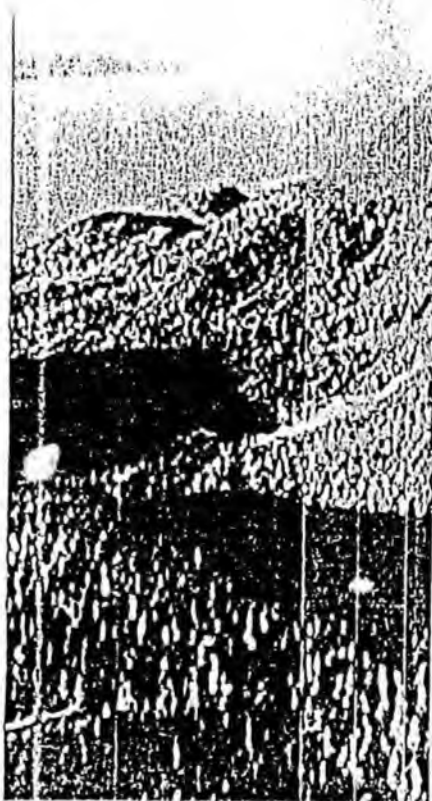
Gary W. Banbury

Sr. Vice President of Human Resources, Safety, and Administration

Coeur d'Alene Mines Corporation

(800) 624-2824

gbanbury@coeur.com





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Bus Transportation for Employees





KENSINGTON GOLD PROJECT

Bus Transportation for Workers

Description

- 2-3 busses will be required to transport workers from the Slate Creek marine terminal to the mine site on a 5.5 mile road
- Loading and trip from dock is assumed to take 30 minutes one way

Request

- Third party to supply and operate busses
- User fee charged to Coeur for this service





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Cascade Point Dock Facilities





KENSINGTON GOLD PROJECT

Cascade Point Dock Facilities

Description

- The project requires a marine terminal at Cascade Point
- Kensington currently has no facilities to transfer freight, supplies, and personnel to and from the mine
- This marine terminal would be constructed on state tidelands.
- Goldbelt Inc. owns the surrounding uplands
- See following page for detailed design drawings. A detailed study was completed by Peratrovich, Nottingham and Drage, Inc. outlining the required construction and , which is available upon request.

Cost of Facilities

- \$2,900,000

Request

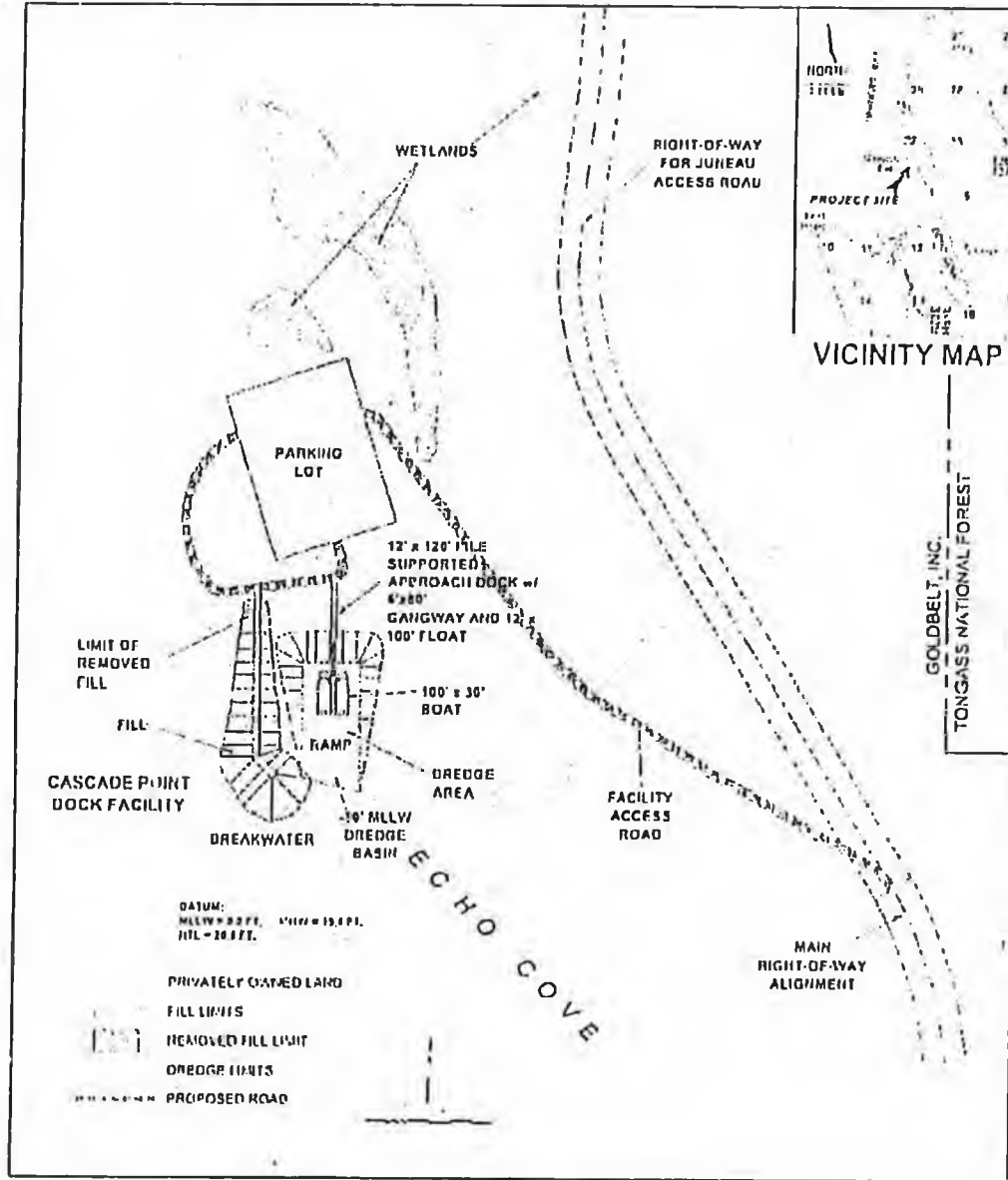
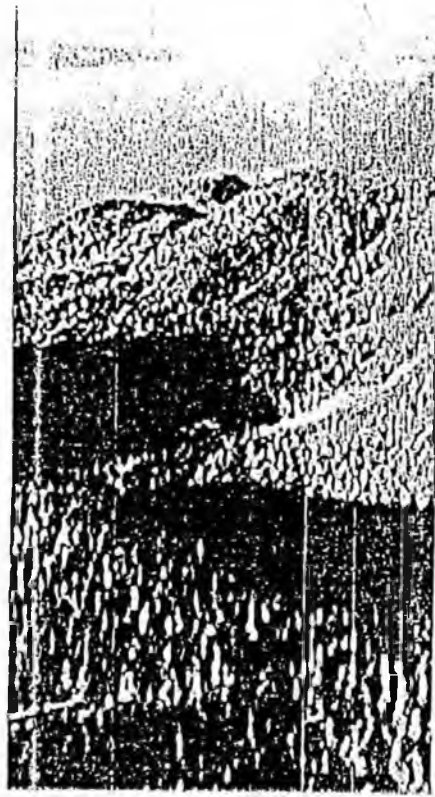
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party





KENSINGTON GOLD PROJECT

Cascade Point Dock Facilities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Passenger Ferry Service Across Berners Bay





KENSINGTON GOLD PROJECT

Passenger Ferry Service

Description

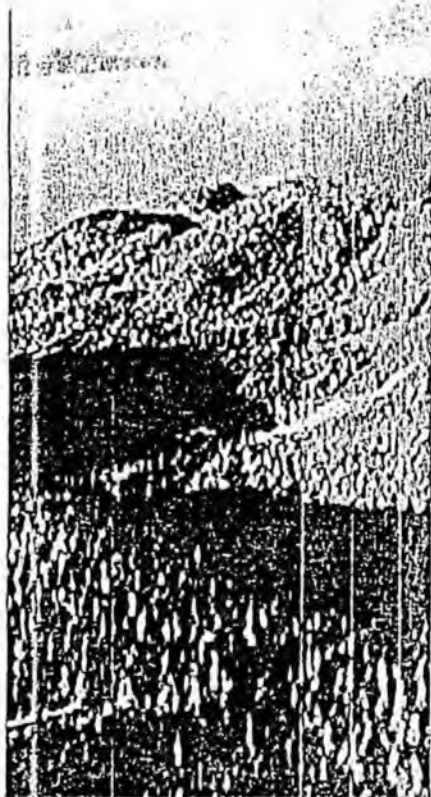
- Kensington requires a ferry capable of transporting one full shift of workers (+/- 60 people plus freight) three times per day from a marine facility at Cascade Point to Slate Creek Cove
- Trip across Berners Bay is estimated to take fifteen minutes
- 365 days per year; 7 days per week

Cost

- Adequate vessel estimated to cost approximately \$1.0 - \$1.5 million

Request

- Third party to supply and operate ferry
- User fee charged to Coeur for this service
- During time not in use for transporting workers, vessel may be used for other activities

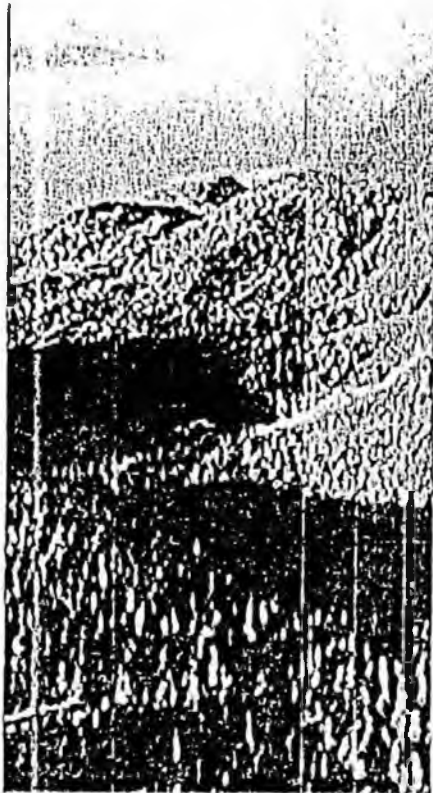




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Slate Creek Cove Dock Facilities





KENSINGTON

GOLD PROJECT

Slate Creek Cove Dock Facilities

Description

- It is necessary to construct a port facility at Slate Creek Cove in order to transfer freight, supplies, and personnel to and from Cascade Point
- The concentrate handling, storage, and load-out facility will also be located at this dock

Cost

- \$4,400,000 million
 - \$3.3 million for dock facilities
 - \$1.1 million for concentrate handling facilities

Request

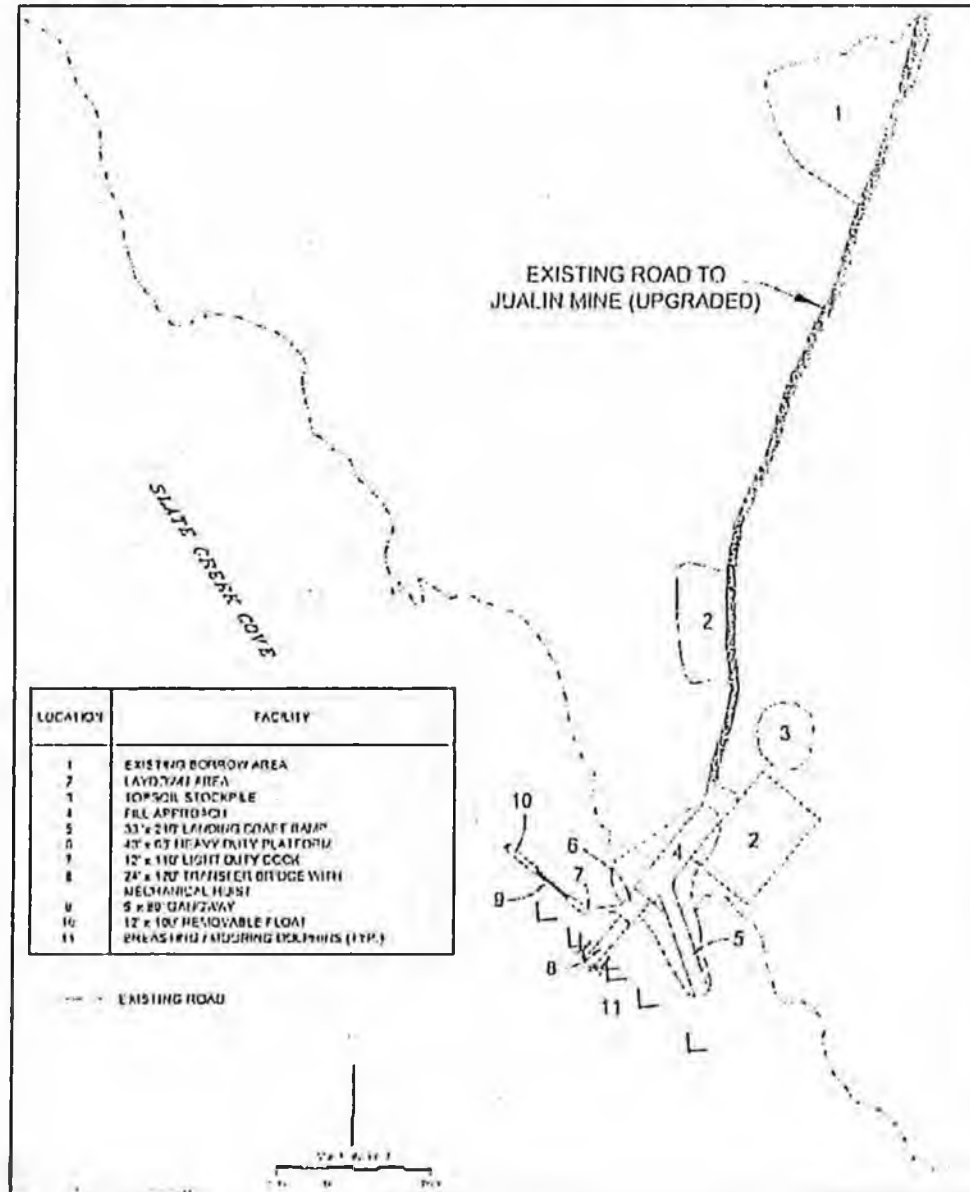
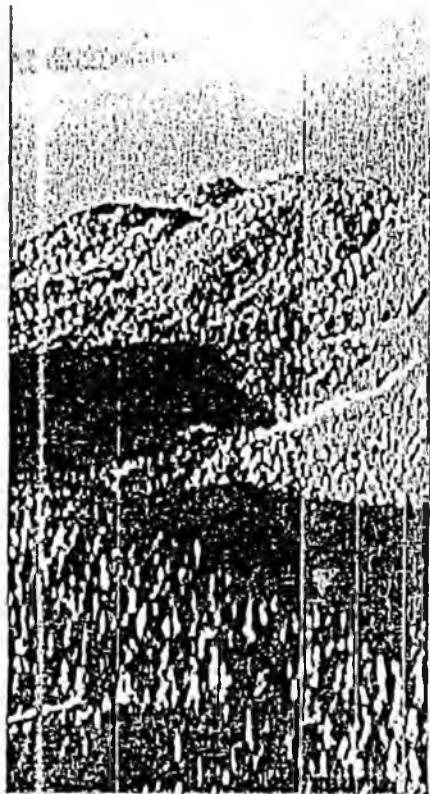
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party





KENSINGTON GOLD PROJECT

Slate Creek Cove Dock Facilities





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Slate Creek Road





KENSINGTON GOLD PROJECT

Slate Creek Road

Description

- In order to access the mill site and nearby ore body, Coeur needs to construct/improve the 5.5 mile road from Slate Creek Cove.

Cost

- Road: \$2,028,000

Request

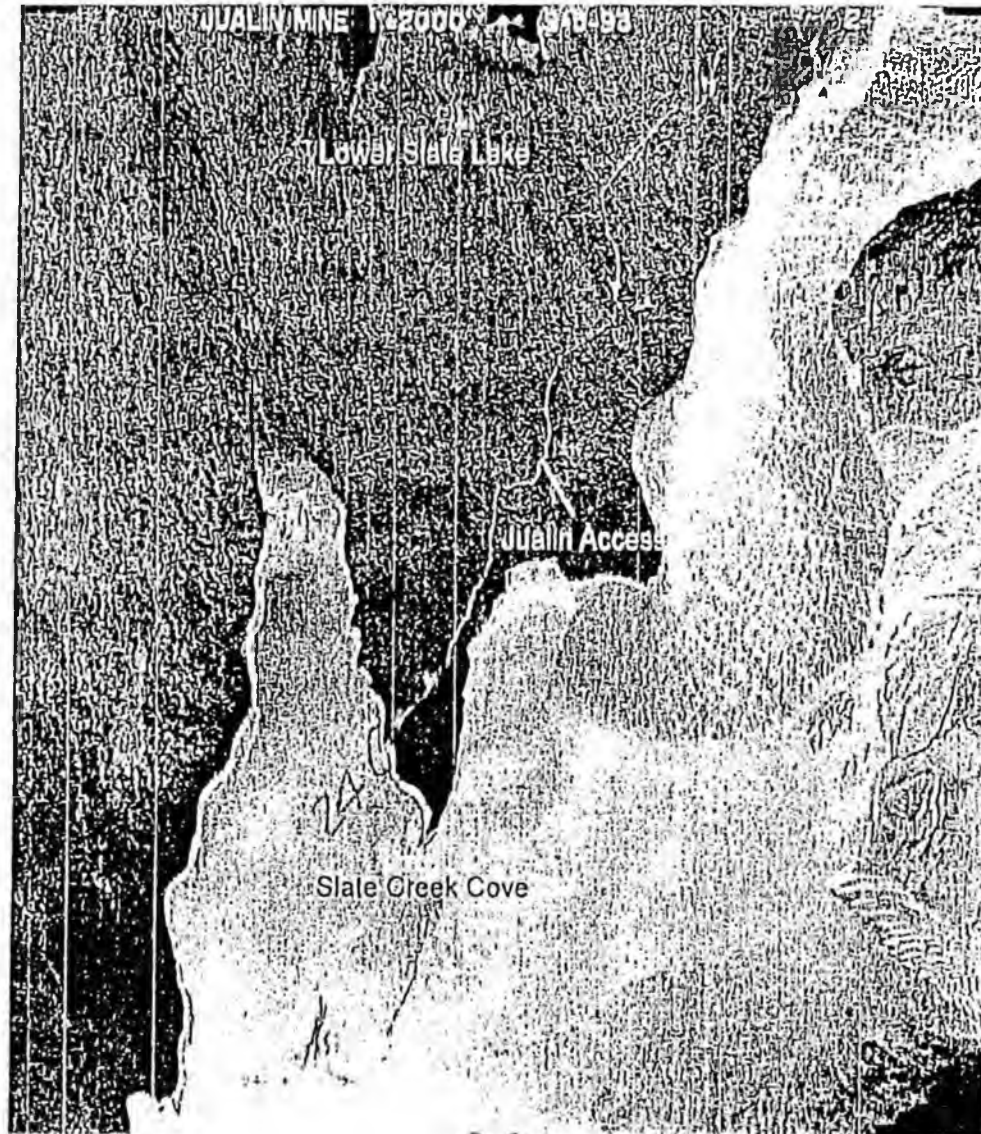
- Funding from ADOT under its "Roads to Resources" initiative to upgrade this road





KENSINGTON GOLD PROJECT

Slate Creek Road

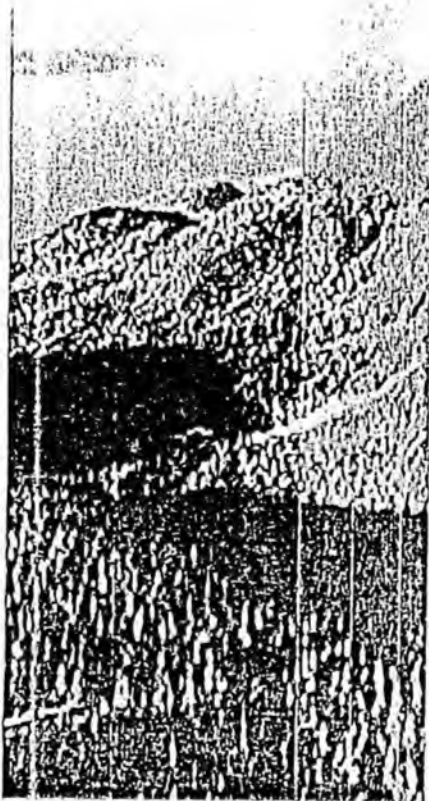




KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

On-Site Power Plant





KENSINGTON

GOLD PROJECT

On-Site Power Plant

Description

- Power will be generated on site that will require a generating plant and stand-by generating capability
- The normal power demands for the mine, process plant and ancillary facilities are estimated to be 3.8 MW
- A 20% allowance for intermittent peak load is designed into the generation facility
- Four medium speed 1.5 MW diesel generator sets (three operating, one stand-by) are designed to satisfy Kensington's total requirements

Cost

- \$6,100,000

Request

- Grant money or alternative financing to purchase generators
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Tunnel Connecting Jualin and Kensington





KENSINGTON GOLD PROJECT

Tunnel

Description

- In order to access the ore body, Coeur needs to construct an 8,000 foot tunnel connecting the Jualin and Kensington areas of the mine
- Integral component to minimizing surface disturbance and allowing Coeur to re-locate processing facilities to Jualin side from the Kensington side
- Also makes commuting from other regions feasible for workers
- Necessary to access ore body

Cost

- \$5,363,000

Request

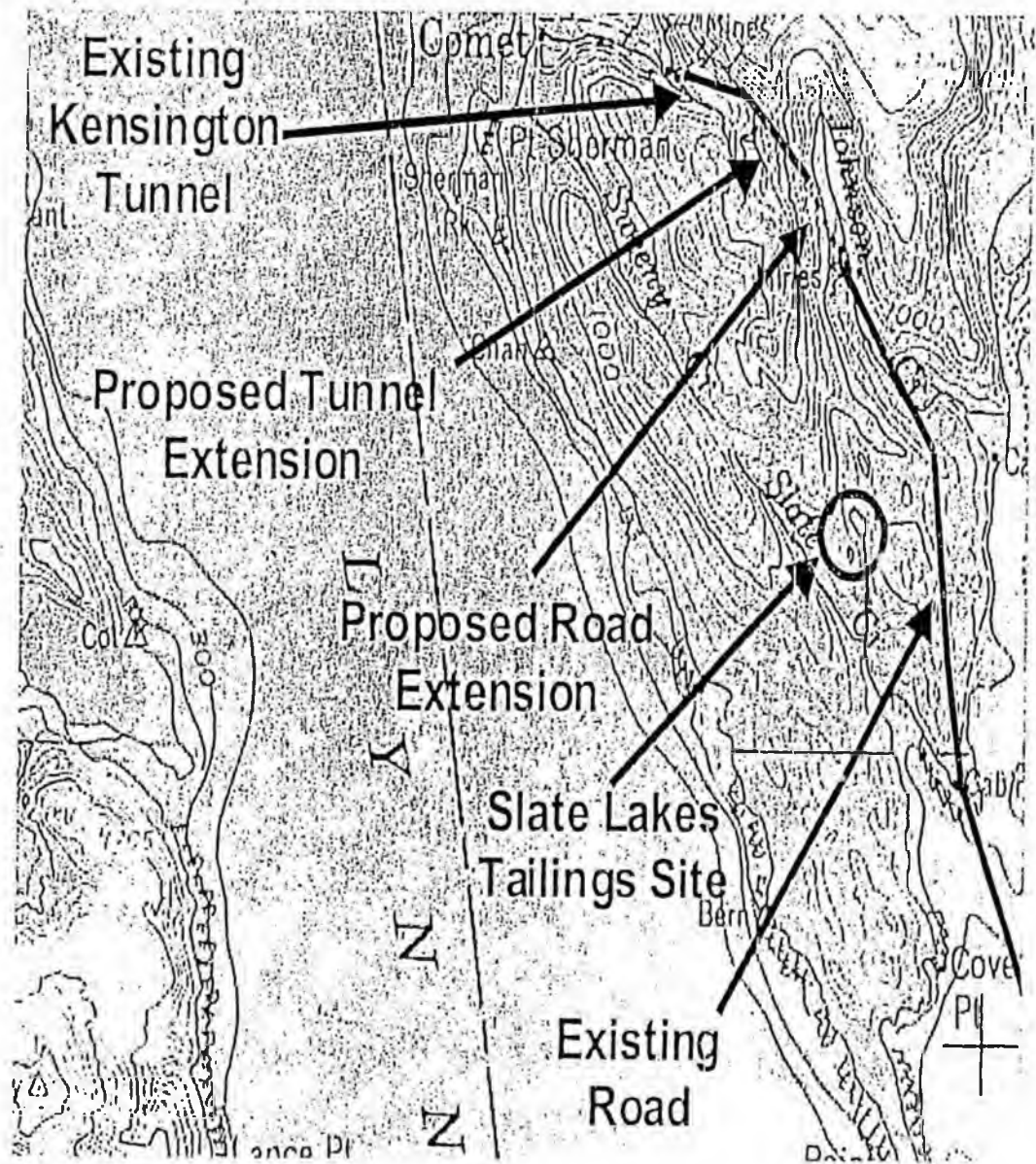
- Grant money or alternative financing to fund the development of this underground road to the ore body





KENSINGTON GOLD PROJECT

Tunnel





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

Tailings Management Facility





KENSINGTON GOLD PROJECT

Tailings Management Facility

Description

- Construction of an environmentally sound tailings impoundment area that will be reclaimed to a natural state upon cessation of mining
- This facility will utilize new, environmentally friendly technology that will establish and confirm new restoration techniques that can be utilized at other tailings facilities.

Cost

- Total capital costs: \$8,737,250
- Ongoing monitoring costs: \$1,365,000 (\$130,000 annually over 10.5 yrs)

Request

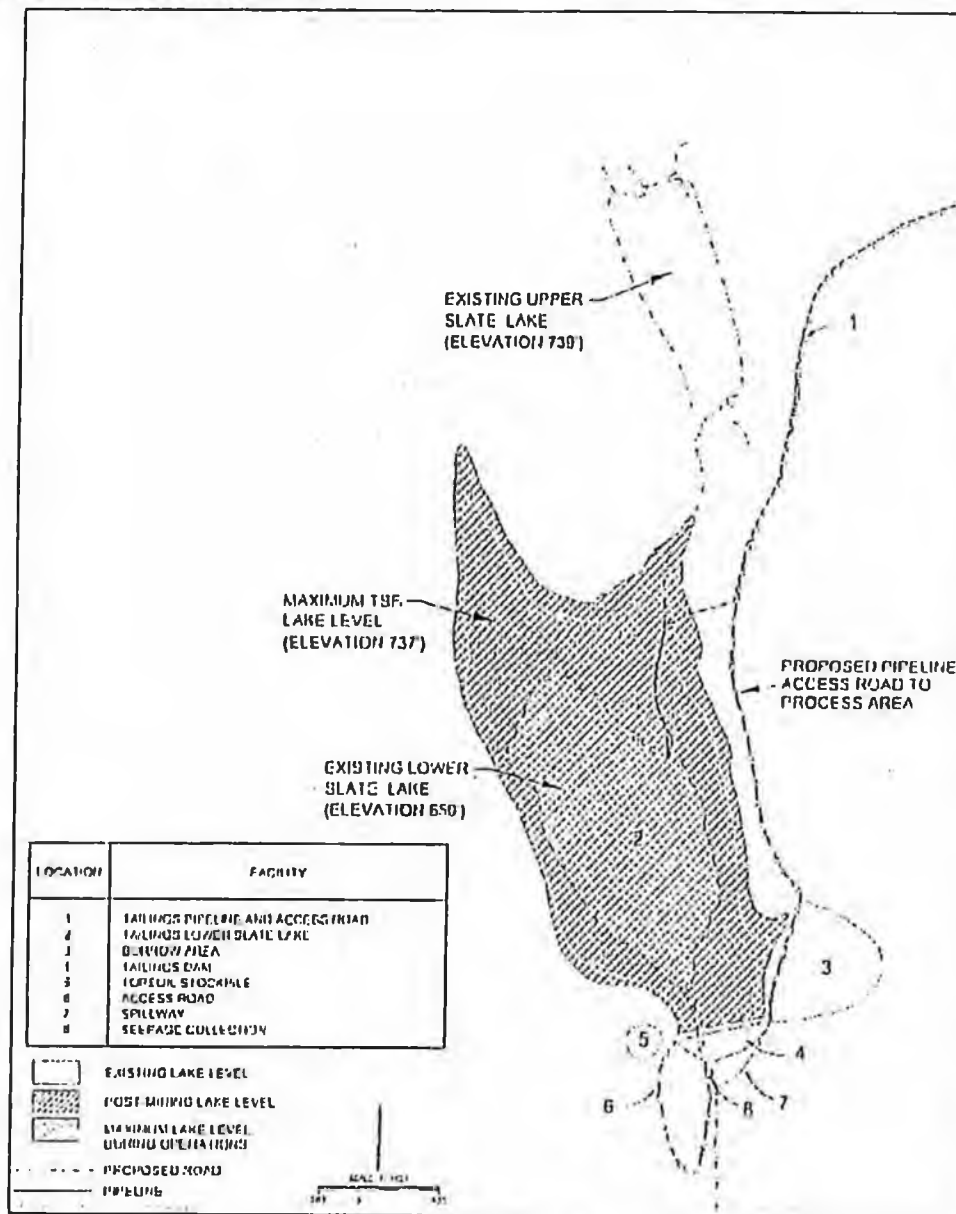
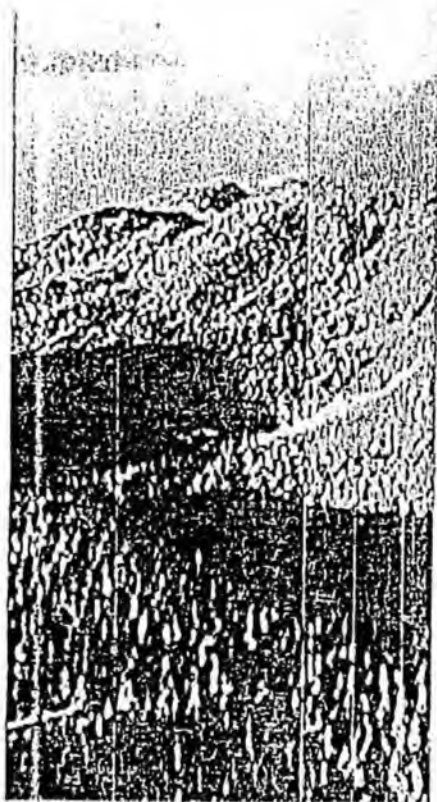
- Grant money or alternative financing to fund the development and operation of this facility
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





KENSINGTON GOLD PROJECT

Tailings Management Facility





KENSINGTON GOLD PROJECT

Tailings Management System





KENSINGTON GOLD PROJECT

Summary of Potential
Partnership Opportunities

For Additional Information, Please Contact:

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Mitchell Krebs

Vice President of Corporate Development

(773) 388-2902

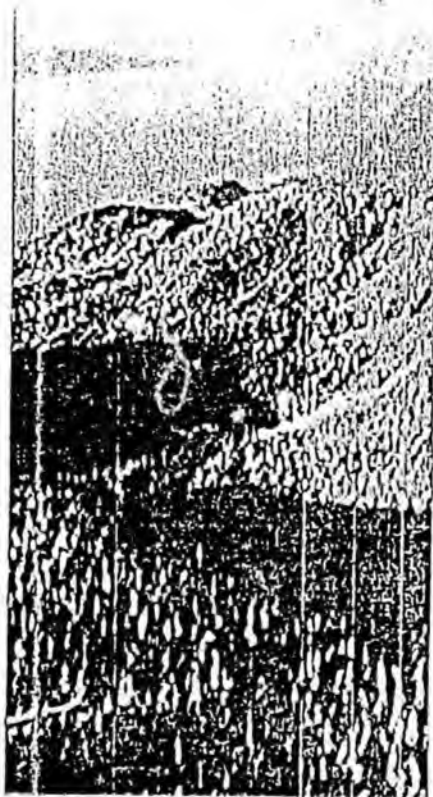
mkrebs@coeur.com

Tim Arnold

Vice President & General Manager of Kensington

(907) 789-1591

tarnold@coeur.com



Adopted
4.29.04

HB 556

Amendment 1

By Rep. Hawker

Page 1, line 9

Insert: "at Slate Creek Cove and Cascade Point"

To read:

(a) The Alaska Industrial Development and Export Authority may issue bonds to finance the acquisition, development, improvement, and construction of port and related facilities located at Slate Creek Cove and Cascade Point on Lynn Canal in Southeast Alaska.

ALASKA STATE LEGISLATURE

Representative Bruce Weyhrauch

HOUSE DISTRICT 4



ALASKA
STATE CAPITOL
JUNEAU, ALASKA
99801-1182

(907) 465-3744
FAX (907) 465-2273

State Affairs Committee

Rep. Bruce Weyhrauch, Chair

HB 556

AIDEA Bonds for a port development project on Lynn Canal

The Alaska Development and Export Authority, or AIDEA, is a unique funding mechanism that focuses on the development, ownership, and operation of facilities within Alaska. To be considered for funding, projects like roads, ports and utilities must meet specific statutory criteria: they are essential to the economic well-being of an area; are financially feasible; and are supported by the communities in which they are located. AIDEA has been a key player in many of Alaska's economic successes through the years. AIDEA programs have financed small projects, such as the Unalaska Marine Center dock, and larger ones such as the multi-million dollar Red Dog mine and Federal Express aircraft maintenance facility.

HB 556 continues AIDEA's role in boosting economic development and creating jobs in the state by providing legislative authorization for construction of port facilities located on Lynn Canal in Southeast Alaska.

The developed port facility would become an integral component in the permitted Kensington Mine project north of Juneau at the confluence of Lynn Canal and Berners Bay. Once construction begins, the project is expected to employ 325 workers and during its 15 or more operational years, the Kensington will employ about 225 workers. The operational mine is expected to support up to 180 additional indirect jobs as well.

The entire central and northern Southeast regions eagerly await the infusion of construction and mining jobs and the state is fortunate to have a financially healthy agency like the AIDEA to forge public-private partnerships that can strengthen Alaska's economic base.

Contact: Linda Sylvester
465-3744

Released: April 22, 2004

THE FOLLOWING DOCUMENT HAS NOT
BEEN FILMED BUT IS AVAILABLE IN THE
ORIGINAL FILE.



Kensington Mine Project



NOVEMBER 2001

Economically feasible, environmentally safe Kensington gold mine proposed

Coeur Alaska is advancing a revised Kensington gold mine plan that substantially reduces capital construction costs and would seek to streamline operations by partnering with Alaska businesses and Southeast Alaska Native corporations. It protects the environment and enhances reclamation by utilizing existing roads and already-developed areas and minimizing new environmental disturbances.

The revised project would store tailings in a remote, muskeg lakebed with minimal fish and wildlife impacts. It would produce a gold concentrate to be shipped off-site in sealed containers for gold recovery. Mining would take place underground and mine production facilities would not be visible from Lynn Canal or

nearby Berners Bay. The mine site and tailings storage area would be restored at the project's conclusion with zero wetland loss.

A Slate Creek Cove dock would provide safe, year-round, all-weather marine

transportation. Workers would be carried by boat between the work site and a dock at Goldbelt Corporation's Cascade Point property. Fuel and supplies would be shipped to the mine on a regular

(CONTINUED ON BACK PAGE, NEW PROJECT)

Kensington at a glance

The project would last at least 15 years: two years for construction and startup, eight years for gold recovery and two years for active reclamation, followed by three years of monitoring. All mine activities would be contained within the active tailings on the mine site.



Aerial view looking east toward Comet Beach, Lion's Head Mountain and the Kensington project area.
COEUR ALASKA PHOTO

NEW PROJECT, CONTINUED FROM FRONT PAGE

schedule reducing the need for extensive storage facilities.

Coeur's new plan would significantly benefit Southeast Alaska's economy. It offers new, high-salary, year-round jobs and revenues that replace lost government, fishing, mining and timber positions. It would also help diversify a regional economy that increasingly relies upon cruiseships and tourism. Diversification would help Southeast better withstand tourism industry slumps and the possible loss of additional state and federal jobs. Alaska tourism has recently been slowing with the national economy and was particularly

hard hit by the September 11 terrorist attacks. The long-term effect of the attack is uncertain, which emphasizes the need for economic diversification.

The Kensington mine should be productive for at least 8 years, and significantly longer if more reserves are found. Production would also extend if Kensington expands into the adjacent Jualin property to access its economic reserve base.

The Kensington project would also generate at least \$9 million in tax revenue in 10 years and \$21 million in local purchases during the same period. Coeur Alaska is committed to local hire and would draw

workers from Juneau, Haines, Skagway, Hoonah, Kake and other Southeast communities.

The revised project's most important feature is economic feasibility. It is considerably less expensive to build and operate than the permitted plan, which means it is more likely to be economically sustainable through periods of fluctuating gold prices. In other words, Alaska, especially Juneau and the rest of Southeast Alaska, are more likely to enjoy Kensington's economic benefits if federal, state and local agencies approve the new plan.

LONG TRADITION, CONTINUED FROM INSIDE

several other surrounding mines. The area was extensively developed and productively mined until financial troubles overwhelmed the company in 1905. Between 1905 and 1917 the mine operated intermittently, changing hands a few times.

At its peak in 1913, Kensington miners drove a 5,000-foot tunnel to the Johnson ore body. After 1917 the Kensington sat dormant until 1935, when the Premier Gold Mining Company sent workers to renovate and reopen the mine. The effort was abandoned after a few short years, and again the mine lay idle.

In early 1987, Coeur Alaska, Inc. (a wholly owned subsidiary of Coeur d'Alene Mines Corporation in Idaho) entered into a joint venture to purchase the Kensington Mine property. During the next seven years the Kensington Venture explored the veins deep within the mountain.

In June 1995, Coeur Alaska, Inc. acquired sole ownership of the property. The company worked closely with community and interest groups to redesign the project to revise the tailings treatment plan, eliminate water discharge into Lynn Canal, reduce stream diversions and reclamation risk and eliminate onsite cyanide use. Later that



Bart Thane, Charlie Whipple and an unidentified man stand in the Kensington mine tunnel on November 9, 1907. WINTER AND FOND PHOTO, COURTESY OF ALASKA STATE LIBRARY (PCA 87-496)

year, Coeur filed new permit applications incorporating the proposed changes and the U.S. Forest Service commenced a supplemental environmental impact study.

The Forest Service approved Coeur's Kensington Supplemental Environmental Impact Study in August 1997 and other key permits were issued in 1998. By then, however, the world gold market had gone into a very sharp decline with prices falling from more than \$400 an ounce to well below \$300 an ounce between January 1996 and January 1998. The approved Kensington plan was no longer economically feasible in this depressed gold market and analysts predicted that prices were unlikely to return

to the \$400 per ounce target price anytime soon. Gold prices today remain below \$300 per ounce.

Coeur Alaska continued working on the Kensington project and developed a new plan that reduces capital and operating costs, improves safety and better preserves the environment. Regulators including the Forest Service, Army Corps of Engineers and Environmental Protection Agency, the Alaska Departments of Natural Resources, Environmental Conservation and Fish and Game and the City and Borough of Juneau are being asked to approve this revised plan to improve the project's economic viability.

Kensington Mine Project

UPDATE

NOVEMBER 2001

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(CONTINUED ON BACK PAGE, NEW PROJECT)

Kensington at a glance

- The project would last at least 15 years: two years for construction and startup, eight years for gold recovery and two years for active reclamation, followed by three years of monitoring. Additional reserves are frequently found during active mining, so the mine life could be substantially longer.
- Kensington would employ about 325 workers during its peak construction period and cost about \$155 million.
- The operating mine would employ about 225 workers. It would support up to 180 additional indirect jobs.
- The project would employ 30-to-50 workers during reclamation.
- Kensington jobs would be year-round with a predicted annual payroll cost of \$16 million. Wages would be substantially higher than the average for local retail and service industry workers. Coeur Alaska is committed to local and Native hire and would train workers.
- Mine operations would entail daily commutes and traditional, two-shift work schedules set on rotation plans to accommodate families. Coeur Alaska would transport employees to and from the mine site. Busing would limit highway traffic impacts.
- Kensington would spend at least \$7.5 million for direct local purchases during construction and \$13.5 million during operations. These figures do not include indirect spending by support businesses.
- Kensington has 1.8 million ounces of gold reserves and 1.4 million ounces of additional reserves.
- Mine tailings would be stored in a remote, muskeg lakebed with minimal fish and wildlife impact.
- Gold concentrate would be processed off-site. No cyanide processing would occur in Southeast Alaska.
- Coeur has spent over \$20 million to date on environmental studies and comprehensive management programs to ensure that the company's high standard of environmental protection is met.



Aerial view looking east toward Comet Beach, Lion's Head Mountain and the Kensington project area. COEUR ALASKA PHOTO

Good economics spread the wealth

The revised Kensington plan is economically superior to the permitted plan because it would substantially reduce capital and operating costs and spread mine revenue across the state. It calls for Coeur Alaska to partner with Alaska companies and Southeast Alaska Native corporations to fill such needs as transportation, support services and solid waste management. Partnering would reduce Coeur's capital expenses and improve operational efficiency.

The new plan would shrink the mine's footprint and associated maintenance and reclamation costs. Its all-weather dock facility would provide safe and reliable transportation and reduce operating costs. It would minimize on-site inventory and storage expenses and productivity lost to bad weather.

Most important for Southeast Alaskans, the revised Kensington plan is closer to being economically feasible in today's depressed gold market. The original

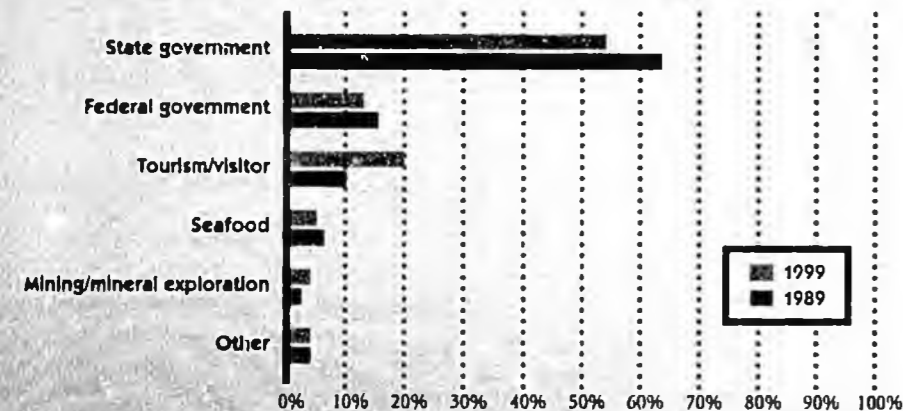
Kensington plan is not economically sustainable because it presumed gold prices would remain above \$400 per ounce. The revised plan could be implemented if its permits are approved and gold prices sustain an upward trend. Current gold prices are less than \$300 per ounce.

Developing the Kensington mine would add desperately needed diversity to Southeast Alaska's economy. Studies show Southeast Alaska increasingly relies upon tourism for its economic base as government employment, fishing, logging and mining shrink. This narrow economic focus makes the region especially vulnerable to downturns in tourism and continued reductions in state government.

The Kensington mine could broaden the region's economic base. Projections show that the mine would generate more than 295 high-salary, year-round jobs for local workers, \$21 million in direct local purchases and \$9 million in direct tax revenue during the next decade.

JUNEAU'S EMPLOYMENT SHIFTS, ECONOMY DECLINES

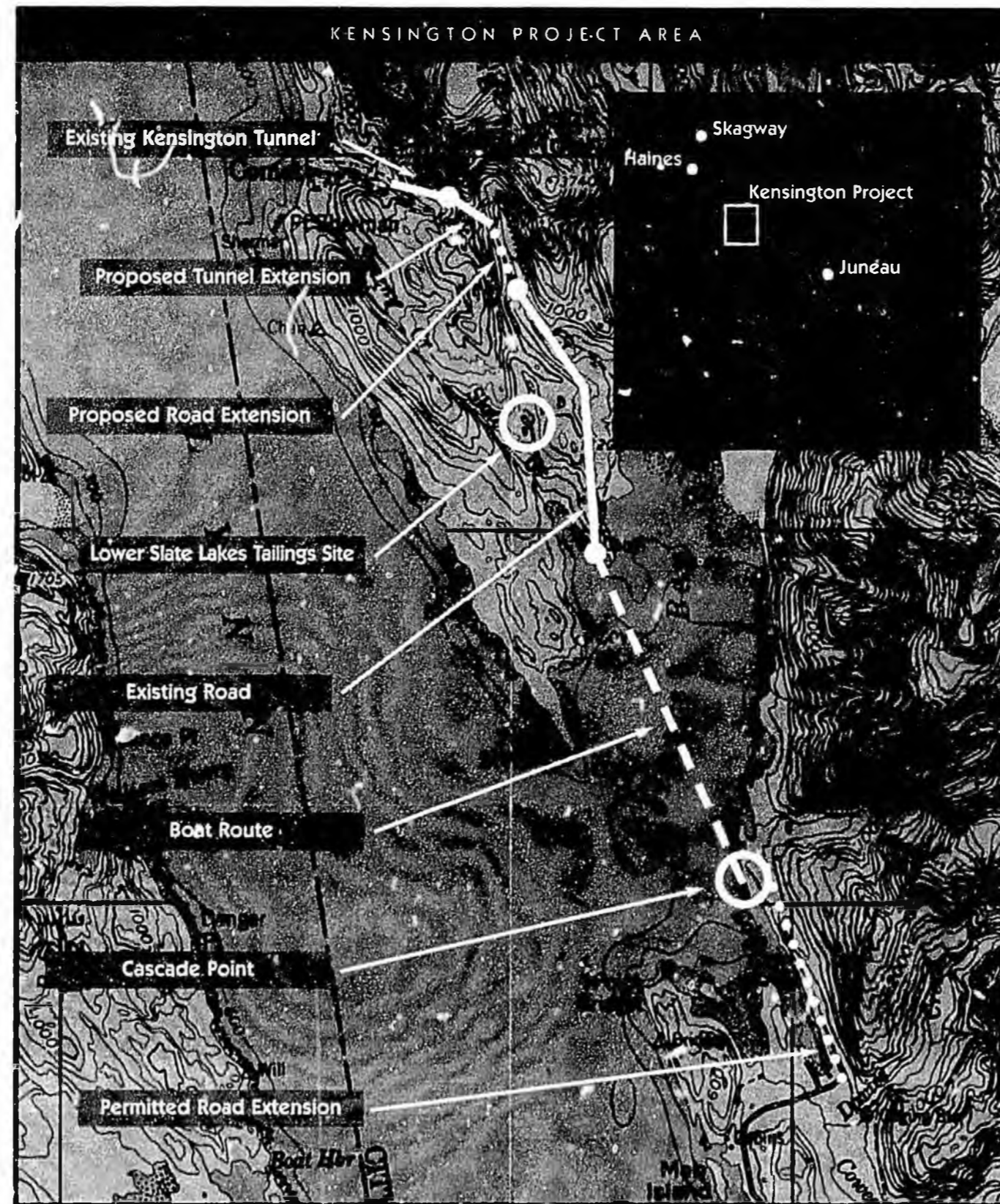
1999 vs. 1989 Juneau Employment



Most of Juneau's job growth during the 1990s was from relatively low-paying service-industry and tourism jobs that do not have significant benefit packages. Economic figures show the economy in Juneau and the rest of Southeast Alaska is in decline, with Juneau's average real wages dropping 10 percent while they increased 12 percent in the rest of the United States.

At the same time, Juneau's cost of living remains about 20-25 percent higher than the national average and it lags behind the rest of the country in manufacturing and other important, non-public sector industries. Juneau is losing its government jobs, dropping from 41.8 percent of employment in 1990 to 33.2 percent in 1999. The majority of Juneau-area mining employment today is at Greens Creek mine.

SOURCE: JUNEAU ECONOMIC DEVELOPMENT COUNCIL IN COLLABORATION WITH THE McDOWELL GROUP, OCTOBER 2001



Workers would commute from Juneau to the Kensington mine by bus and boat. Insert: The 100-mile-long Juneau Gold Belt is dotted with dozens of known gold deposits. Forty-six hard-rock mines extracted some 7 million ounces of gold from the gold-belt before the last mine closed in 1944.

Kensington mine has long tradition

The Kensington Gold Project is located 45 miles north of Juneau, at the northern tip of the famous Juneau Gold Belt. Joe Juneau and Richard Harris discovered large quantities of gold in the region in 1880. They recorded a 160-acre town site that became Juneau to support their discoveries. Some 46 hard-rock gold mines in the 100-mile-long Gold Belt pro-

duced 7 million ounces of gold before the last mine closed in 1944.

Prospectors first discovered gold in the area around Lions Head Mountain and the Kensington Mine in 1886. Five years later the Berners Bay Mining and Milling Company was formed and purchased Kensington and

(CONTINUED ON BACK PAGE, LONG TRADITION)

New Kensington plan preserves environment

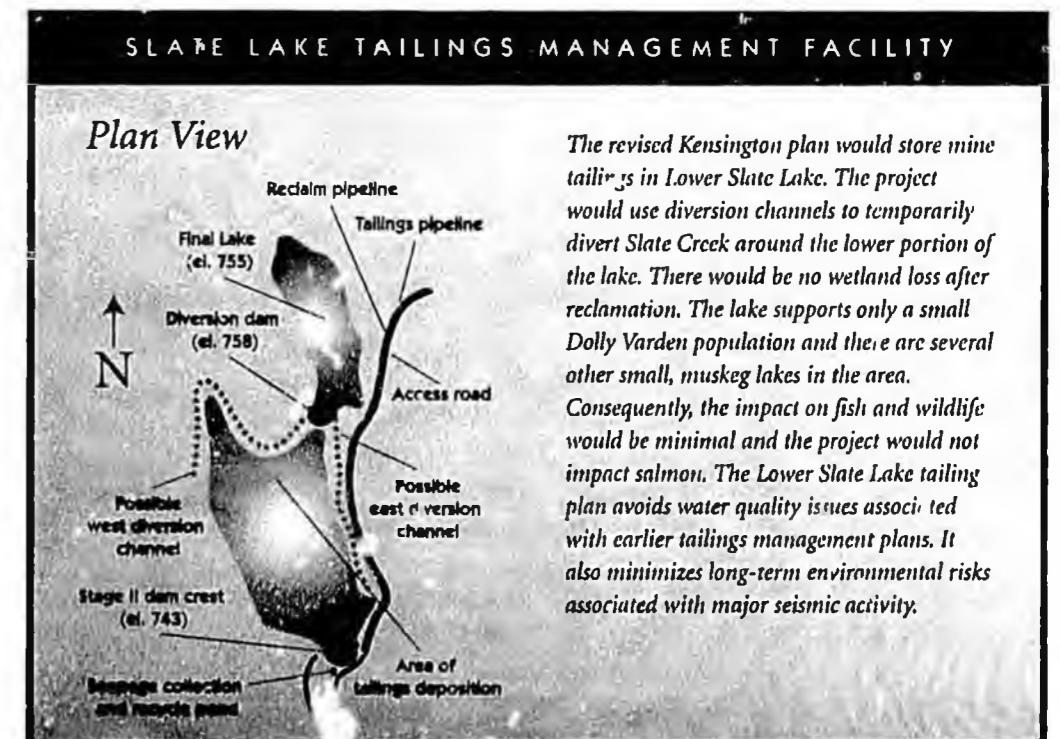
Environmental regulators last permitted the Kensington gold project in 1998. That project is not economically feasible in today's gold market. Consequently, Coeur Alaska redesigned the project to reduce costs, mitigate operating risk, enhance safety, and significantly decrease its environmental impact. The revised project would:

- Ship gold concentrate off-site in sealed containers for treatment and gold recovery. No cyanide processing would occur in Southeast Alaska.
- Store mine tailings in Lower Slate Lake. Water flow into this remote, muskeg lake would temporarily be diverted.
- Improve water quality and reclamation. The mine site would be restored during the project's reclamation phase. There would be no loss of wetlands and minimal impact on fish and wildlife. No salmon would be affected.
- Use a Slate Creek Cove dock to give boats and barges all-weather access to the mine site. This would improve worker transport, safety of fuel and

cargo handling and minimize on-site storage requirements.

- Significantly reduce helicopter traffic to and from mine site.
- Minimize potential conflicts with fisheries and other user groups.
- Minimize long-term environmental risks associated with major seismic activity.
- Impact 25 percent less land than the permitted project. The revised plan would minimize Kensington's footprint and surface disturbance by using existing roads and placing surface structures on privately owned land that has been associated with mining since the late 1800s. The project would be virtually invisible from water level.

Action Required: Regulators, including the U.S. Forest Service, U.S. Army Corps of Engineers and Environmental Protection Agency, must permit the revised plan before the new Kensington mine project may proceed. Other state and local approvals will also be required.



The revised Kensington plan would store mine tailings in Lower Slate Lake. The project would use diversion channels to temporarily divert Slate Creek around the lower portion of the lake. There would be no wetland loss after reclamation. The lake supports only a small Dolly Varden population and there are several other small, muskeg lakes in the area. Consequently, the impact on fish and wildlife would be minimal and the project would not impact salmon. The Lower Slate Lake tailing plan avoids water quality issues associated with earlier tailings management plans. It also minimizes long-term environmental risks associated with major seismic activity.

Questions and Answers about Coeur Alaska and Kensington

Q. *Why is this bill so late in coming to the Legislature?*

A. Coeur recently finished its Pre-feasibility study, and is into the detail design phase. In this phase, Coeur initiated discussions with AIDEA about how we could work together. These discussions began in April. In order to make this arrangement feasible, the bill needs to pass during this session.

Q. *Is this bill standard language for this type of an arrangement?*

A. Yes

Q. *Why can't Coeur do this themselves?*

A. They can. Coeur could build and pay for the docks up front, manage them privately, and teardown at the end of the mine life (or make other arrangements if desired and approved). The advantage to using the AIDEA funds is that the docks are paid off over the life of the mine, and the financing is tax exempt. Coeur still pays for the docks in both cases. The advantage to AIDEA and the State of Alaska is that, once approved, the docks will be maintained for the public use after the mine is gone.

Q. *Is Coeur in good financial shape?*

A. Currently Coeur is in exceptional financial condition. We have \$258 Million in net assets. We are the second largest US based mining company on the NYSE. Our market capitalization is nearly \$1.2 billion. In the last 2 ½ years our share price has risen from below \$1.00 a share to over \$7.50 per share. Along with renewed investor interest we completed the restructuring of the company, eliminated our outstanding debentures, further developed our new generation of mines in Chile and Argentina, and advanced our development projects. Coeur recently raised \$180 million in cash in order to fund our new projects, Kensington being one of them. Coeur is in its strongest financial condition in more than a decade.

Alternative "B" of the SEIS has improved economics that will allow Kensington to produce gold at levels below any price seen in the last 10 years. Persons nervous about the financial well being of Coeur should be supportive of Alternative "B" in the current permitting process.

Q. *Could the road extension to Cascade Point be restricted in any way, or could tolls be charged?*

A. The road to Cascade Point has already been permitted, and a Record of Decision has been issued. That ROD addresses the use of the road, which includes public access. The Master Plan submitted by Goldbelt included development of Cascade point, not seclusion. In time, the object will be to have public facilities and encourage public use. There is no intention of any toll whatsoever.



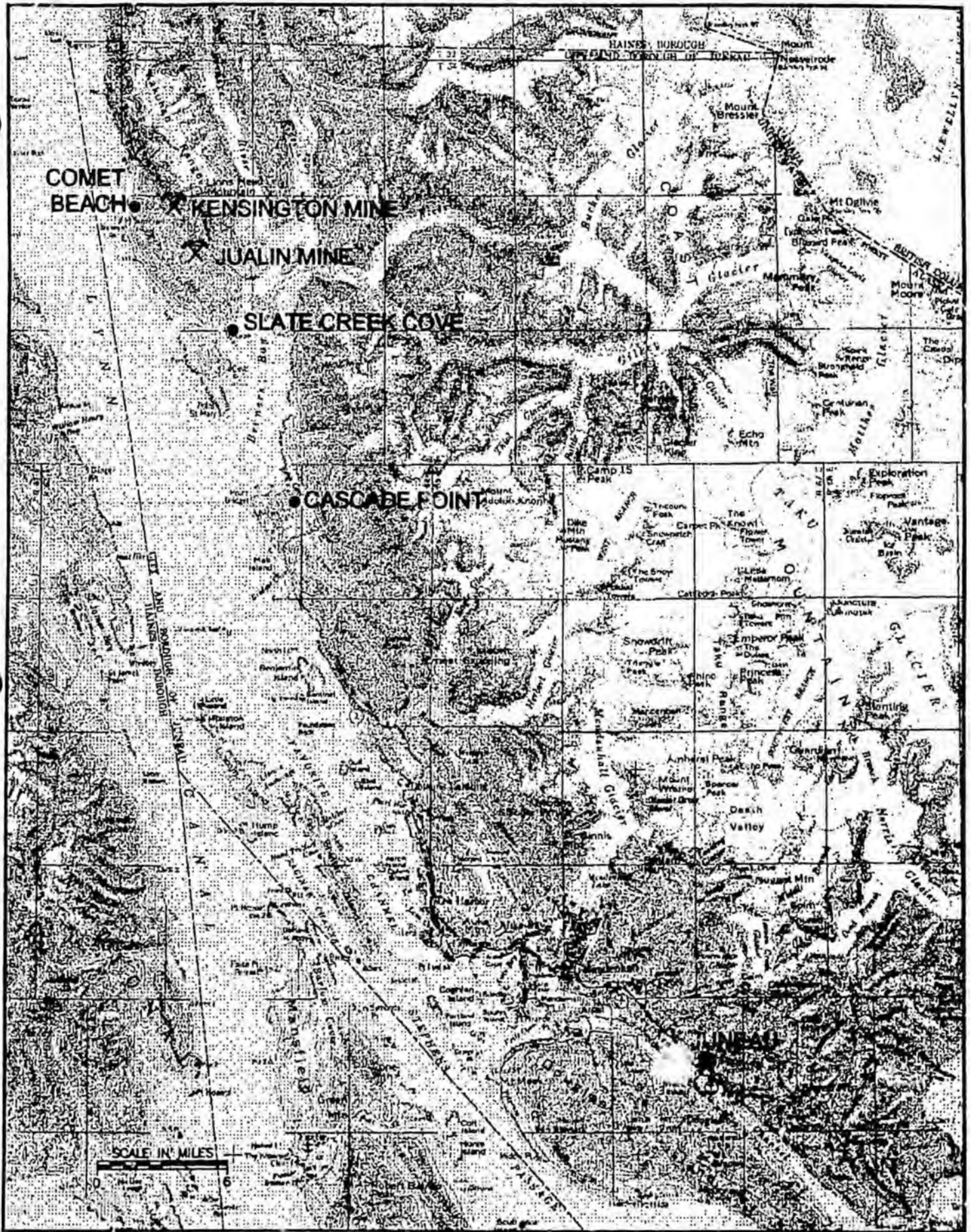
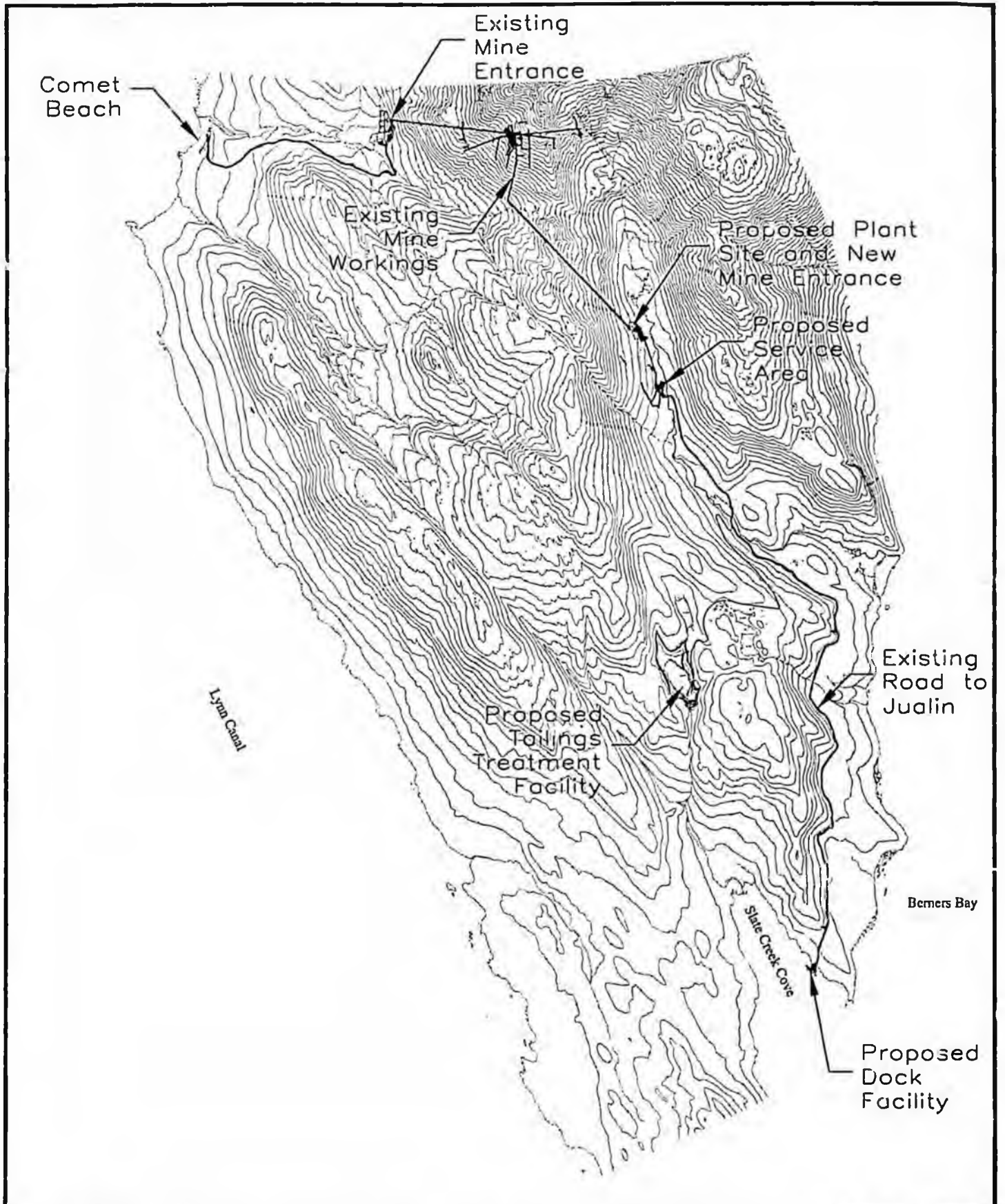


FIGURE 2
SITE ACCESS PLAN

Date:	APRIL 2000
Project:	100618
File:	ROUTING.dwg



Scale 1"=5000'

Coeur Alaska Inc.
Kensington Gold Project

Date: April 28, 2004
Drawn By: G.B.

Project Area



COEUR
OF INDIAN & METALS COMPANY

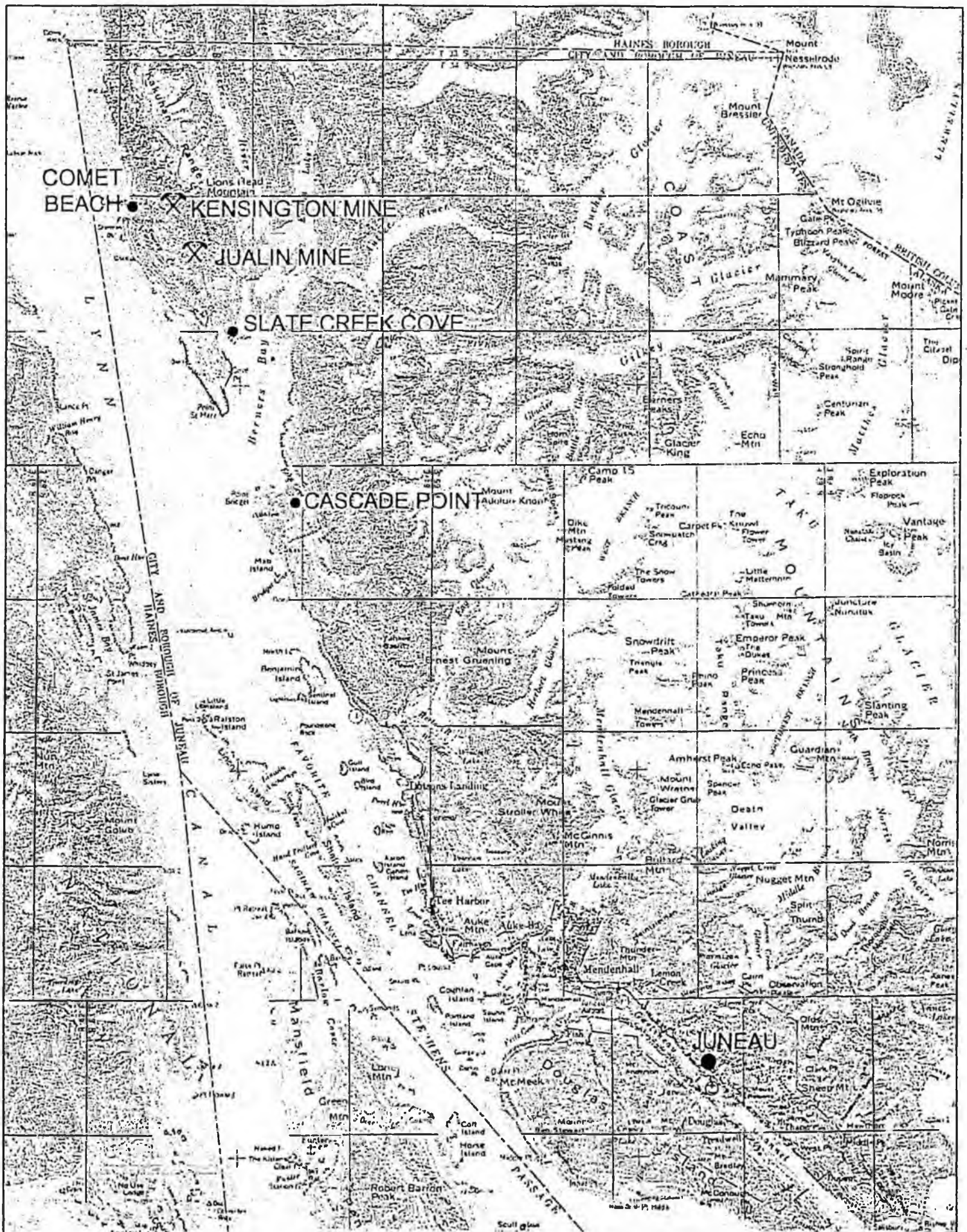


FIGURE 2
SITE ACCESS PLAN

Date:	APRIL 2000
Project:	100619
File:	ROUTING.dwg

Kensington (Alaska)

In 2004, Coeur's major gold project – Kensington in Alaska – neared completion of permitting and an updated feasibility study, with a construction decision expected by mid-year. Given an 18-month construction timeframe, Kensington could begin production as soon as 2006, increasing current company-wide gold production levels by 90%.

New optimization of the project, located 45 miles north of Juneau, enables the mine to be up and running more quickly, with a focus on the highest-grade material. Initial production is expected at 100,000 ounces of gold a year at an average cash cost of \$195 per ounce. Current reserves stand at 1.0 million ounces of gold, with an initial 10-year mine life and significant exploration upside. There are an additional 7.2 million tons of mineralized material measuring 0.12 ounces per ton of gold. Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. Coeur still views its interests in the district as holding up to five million ounces of gold.

Kensington is expected to cost approximately \$75 million to build. The updated feasibility study reduces the size of the mill facilities and has the potential to significantly reduce capital and operating costs while allowing for future expansion of production as market conditions warrant.

Early this year, the major Draft Supplemental Environmental Impact Statement was Issued for Kensington, and all necessary remaining permits expected to be in place by the second quarter.

The Kensington ore deposit consists of multiple, precious metals bearing, mesothermal, quartz, carbonate, pyrite vein swarms and discrete quartz-pyrite veins hosted in the Cretaceous age Jualin diorite. The gold-telluride-mineral calaverite is associated with the pyrite mineralization.

Year-end Proven and Probable Ore Reserves - Kensington Property

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tons (000's)	4,113	10,946	10,946
Ounces of gold per ton	0.24	0.16	0.16
Contained ounces of gold	1,003,000	1,751,000	1,751,000

Year-end Mineralized Material

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tons (000's)	7,262	12,014	12,014
Ounces of gold per ton	0.12	0.12	0.12

The reduction in the proven and probable reserves estimate in 2003, compared to 2002, is the result of the revised mine plan which focuses on higher-grade areas of the mine.

Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. In addition, the Company possesses the right to develop the Jualin property, an exploratory property located adjacent to the Kensington Property. The Jualin property consists of approximately 9,400 acres, of which approximately 345 acres are patented claims. The Company's rights to develop the Jualin property are subject to an agreement which must be renewed in May 2008.